



APPENDIX 4
TEES VALLEY AUDIT & ASSURANCE SERVICE (TVAAS)
INTERNAL AUDIT ESCALATION AND ENGAGEMENT PROCESS

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Internal Audit Escalation Process

Introduction

- 1.1 There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. Internal audit is responsible for evaluating all processes of the entity (and is not restricted to an examination of financial controls) including governance processes and risk management processes.
- 1.2 The work covered by Internal Audit (TVAAS) results in recommendations being made to managers and the identification and highlighting of a range of issues relating to the Council's overall governance and control framework. TVAAS report directly to the Council's S151 Officer and the Corporate Affairs and Audit Committee on The purpose of this procedure is to set out the expected timescales for responding to internal audit reports and outstanding actions.

Responding to Draft Internal Audit Reports

- 2.1 After internal audit fieldwork, a draft report is issued to the client for their comment and consideration. The report will summarise the audit findings and may include recommendations for action. The recipients of the draft report, usually the director and the relevant service managers, are requested to provide a response to that report, indicating whether they accept the findings and its recommendations. They are also asked to identify the officers responsible for implementing each of the recommendations and the associated target dates.
- 2.2 It is important that draft reports are responded to on a timely basis to ensure that findings remain relevant and reflect the situation at the time of the audit fieldwork. It is also important that Internal Audit can give assurance to the Section 151 Officer and to the members of the Corporate Affairs and Audit Committee that, where issues have been identified, the associated risk is being effectively managed. For those reasons, reports should be responded to within a reasonable timescale. Please note that if there are any difficulties in meeting the required timescales, the auditors will do their best to accommodate but please let the auditor know.
- 2.3 The following is requested of auditees:
 - The provision of a full response to the draft report within 15 working days of the draft being issued. Full response means that the auditee/manager has provided any requested amendments to the report and/or additional evidence and has detailed who is responsible for each action and the target date;
 - That careful consideration is given to the target dates set for each action as these dates will be used for the subsequent audit follow up process and outstanding actions reporting;
 - That all officers that you nominate as being responsible for an action are aware of their responsibility;
 - That you note the actions as detailed in the final version of the report and take responsibility for implementing those actions by building the actions into your service plans etc.
- 2.4 Once the final version of the report has been agreed, it will be issued to all relevant parties including external audit (depending on the subject matter of the report). The report's assurance level will also be included in the next internal audit progress report to the

Corporate Affairs and Audit Committee. If the assurance level was Moderate or below then a summary of the main findings will also be reported in the progress report to Committee. If the assurance level is cause for concern or below or includes a Priority 1 action then Members of the Corporate Affairs and Audit Committee have requested to have access to the full report.

2.5 If a response to a draft report cannot be obtained from the initial recipients within the 15 working days (and no information is provided as to why) then the matter will be escalated to the relevant Executive Director together with the S151 Officer. Ultimately, an inability to obtain a response to a report will have to be notified to the Corporate Affairs and Audit Committee.

2.6 Summary of timescales

Stage	Response Required Within...	Comments
Draft report issued	15 working days	Please note that 'no response' means that we are unable to obtain any communication or feedback. It may be that there is a valid reason for a response to a report having to be delayed which means that the usual escalation process will be put on hold e.g. key officer absence.
Amended draft i.e. final issued	5 working days	
No response to draft received, a reminder is sent to original report recipients	5 working days	
No response to reminder, the report is escalated to the relevant executive director	5 working days	
No response from executive director, report is escalated to S151 Officer and/or Chief Executive	5 working days	
Still no response, matter is escalated to Chair of Corporate Affairs and Audit Committee	5 working days	

3.0 Outstanding Agreed Actions

3.1 Once a final report has been agreed and issued, it is the responsibility of the named action owner to ensure that the agreed actions are implemented according to the timescales discussed and agreed during the draft report process. Please notify the TVAAS auditor once the action has been implemented.

3.2 All agreed actions resulting from internal audit reports are monitored on the audit management system but internal audit will only request an update from the action owner after the target date has passed (unless it is a P1 action and more frequent updates will be required in order to provide assurance to the S151 Officer and to the Corporate Affairs and Audit Committee). Once the target date has passed, a TVAAS officer will contact the named action owners to enquire as to the progress to implement those recommendations that are either approaching or have passed their due date.

3.3 It is recognised that it is not always possible, for a variety of reasons, to implement an agreed action by the original target date. For that reason, an action owner can request an extension to the original target date. This does not usually present a problem however if an auditor is concerned that such an extension leaves the Council exposed to an unacceptable risk then this will be discussed further with the action owner and, if necessary, with the relevant

director. Our management system records the number of times a request has been made to extend the original target date of an action and so If continuous requests are made to extend a date, the auditor may have to recommend that the date is not extended further and that the associated risk be included in the next progress report to LMT and the Corporate Affairs and Audit Committee.

3.4 If the response received to an agreed action does not provide suitable assurance that the identified risk is being managed then attempts will be made to agree a revised course of action with the action owner.

3.5 Once an action has been confirmed as implemented, the auditor will close the action on the audit management system. **Please note that for Priority 1 and 2 actions, evidence of implementation is required. Priority 3 actions can be closed on the basis of assurance from the relevant action owner.**

3.6 Summary of timescales

Stage	Response required within...	Comments
Target date for an action is agreed at the time of the issue of the final audit report	Action owners as named on the final report should take ownership for ensuring that their actions have been implemented by the agreed target date (unless it's a P1, Internal Audit will not follow up on an action until after the target date therefore it is up to the action owner to ensure implementation)	Please note that 'no response' means that we are unable to obtain any communication or feedback. It may be that there is a valid reason for putting the usual escalation process on hold but please let us know.
In the month following the target date, internal audit request an update on progress to implement action.	10 working days	
If no response, a reminder is sent to action owner	5 working days	
If still no response, the outstanding action is escalated to the relevant director and executive director	5 working days	
If still no response, action is escalated to the S151 Officer and chief executive	5 working days	
If still no response, action is escalated to the Chair of Corporate Affairs and Audit Committee	5 working days	

4.0 Engaging with the Auditor

- 4.1 It is important to think of the internal auditor as the Council's critical friend – someone who can challenge current practice, champion best practice and be a catalyst for improvement, so that the Council as a whole achieves its strategic objectives. In accordance with the Public Sector Internal Audit Standards, the internal audit activity (with strict accountability for confidentiality and safeguarding records and information) should have authorised full, free, and unrestricted access to any and all of the Council's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the audit and assurance activity in fulfilling its roles and responsibilities.
- 4.2 As Auditors, we recognise that everyone is busy with competing pressures which is why we discuss and agree the timing of an audit with the manager well in advance of the audit starting (unless it is a whistleblowing or special investigation matter that we need to respond quickly to). We ask that once we've agreed with you the week(s) when we will be carrying out the audit that you note that timing in your schedules and allocate time for us during that week(s) to meet with the auditors and to respond to requests for information and clarification. Audits are much more effective if we have your engagement and if you can assist us in providing information and explanations on a timely basis.
- 4.3 Some audits have taken much longer to complete because of a delayed response from auditees with auditors repeatedly having to make the same requests. If information is not provided, the auditor will eventually have to reach their conclusions on the information and evidence they have been able to obtain. This reduces the effectiveness of the audit and could mean that the true picture is distorted and result in a service area receiving an incorrect level of assurance. This could also affect the Audit & Assurance Manager's annual report to the Corporate Affairs and Audit Committee as the outcome of each individual audit feeds into the annual opinion on the Council's control environment.
- 4.4 If there are any concerns about the audit process, please contact the Audit & Assurance Manager as detailed below. The Council's S151 Officer, Strategic Director of Finance, Governance & Support has responsibility for ensuring that the Council has internal audit arrangements in place and therefore concerns or queries may also be raised with James Bromiley.

CONTACTS/MORE INFORMATION

Guide to Internal Audit is available on the Intranet or by contacting the Audit & Assurance Manager – this guide provides more information about the role and rights of internal audit, how we work and what to expect when an audit is carried out.

Audit and Assurance Manager 01642 729822 or 01642 771165
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